

## **Trust: A Substantial Cause to Organizational success**

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### **Abstract**

Trust as a phenomenon is very abstract. Trust can be examined at deferent levels. Trust is the consequence or positive impressions from mutual interactions. Trust in an organization stems from the behavior of direct managers, as well as the organization's leaders, but organizations with high trust are those where staff feels their trust is reciprocated and that they are themselves trusted by their mangers. Organizational trust is defined as the organization's willingness, based upon its culture and communication behaviors in relationships and transactions, to be appropriately vulnerable, based on the belief that another individual, group or organization is competent, open and honest, concerned, reliable and identified with common goals, norms, and values. Trust may be classified as basic, simple, blind, or authentic. It may be divided to calculus-based trust, knowledge-based trust and identification-based trust. The literature review shows that trust creates added value in an organization. It effects on the performance, the atmosphere of work, effectiveness, employee satisfaction and commitment.

**Keywords:** trust, organizational trust, success

## INTRODUCTION

Human resource is one of those capital resources of an organization which not only increases the efficiency and the effectiveness of the organization but it act as a sheer source of competitive advantage which is inimitable (Beheshtifar & Hosseini Herat, 2013). Making best out of human resource can offer lasting competitive edge over rivals, which is dream of every business (Singh and Singh, 2010). But despite skilled, educated and potential workforces, many organizations are unable to attain expected success. One of the causes that organizations are usually neglected is summarized at employees' behaviors in workplace such as their trust toward organization.

Trust is supposed to be essential in the well-functioning of the society, although is not clear how trust could be generated, and what institutional arrangements could promote trust between people. These questions cannot be answered without taking into account that trust and cooperation do not occur in the vacuum, but embedded in many different social organizations and institutions (Granovetter 2005). Trust has been the focus of organizational studies since the mid-1980s with most research emphasizing generalized trust and confirming its importance for organizational development and success (Cummings and Bromiley, 1996). According to Puusa & Tolvanen (2006), trust as a phenomenon is very abstract. Trust can be examined at different levels.

Trust is most beneficial if it pervades the organization and is found at all levels from top leadership to supervisors and frontline employees. As trust is a reciprocal process, leadership is a key for creating a trust-based organization. When trust is given and it is clearly visible that the person being trusted is acting in a trustworthy way, it ensures trust will increase (Starnes, et al. 2005). Meanwhile, trust is seen as a necessary antecedent for cooperation and leading to constructive and cooperative behavior vital for long-term relationships. Trust is vital for both innovative work within the organization in e.g. project teams and between organizations e.g. strategic alliances (Blomqvist & Ståhle, 2000). Trusting and trustworthiness are the twins of the concept of trust. In managerial practice, a firm not only likes to recruit those with trustworthy traits, but also wishes that its employees trust other employees. However, the organizational studies on the propensity to trust mostly focus on an individual's traits, such as personality, social and economic backgrounds, cultural difference, and personal attitudes (Downes et al., 2002).

Trust in an organization stems from the behavior of direct managers, as well as the organization's leaders, but organizations with high trust are those where staff feels their trust is reciprocated and that they are themselves trusted by their managers. For leaders to be trusted research shows that they need to demonstrate the key characteristics of any trustee, namely:

- ability – demonstrable competence at doing their job
- benevolence – a concern for others beyond their own needs and having benign motives
- integrity – adherence to a set of principles acceptable to others encompassing fairness and honesty (Mayer et al 1995)

Historically, trust was thought to be separate entity and, as such, should be approached as distinctly different domains. The current study is an example of a growing awareness that human development is multidimensional and multifaceted. Therefore, we will try to familiar trust and organizational trust; then we will survey type of trust and its benefits in workplace.

### **Concept of Trust in organizations**

Trust is the consequence or positive impressions from mutual interactions (Brockner, et al., 1997). Trust has been described as the "social glue" that can hold different kind of organizational structures together (Atkinson & Butcher, 2003). Trust is defined as actor's expectation of the other party's competence and behavior (Blomqvist & Ståhle, 2000).

Sztompka (1999) defines trust as: the expectation that other people, or groups or institutions with whom we get into contact – interact, cooperate – will act in ways conducive to our well-being. Because in most cases we cannot be sure of that, as others are free agents, trust is a sort of gamble involving some risk. It is a bet on the future, contingent actions of others.

Trust is primarily interpersonal. However, in business environments, there is also a global element of trust; "trust

is a global evaluation of the organization's trustworthiness as perceived by the employees". The employees' belief that the organization will act in a way that is beneficial, or at least not detrimental, to them is also important (Tan & Tan, 2000). Feelings of trust and distrust are grounded in institutional settings that shape the way people make expectations about others' behavior (Ostrom & Walker 2003).

Also, the term organizational trust can be used in several ways. One form of trust is best described as inter-organizational trust, or the trust between two organizations. For example, many organizations trust a company like United Parcel Service (UPS) to deliver their products in a timely manner. Organizational trust may be better described as intra-organizational trust, a term that can be used in different ways: some researchers focus on the relationship between workers and their immediate superiors (e.g., supervisors), while others look at the relationship between workers and those running the organization (e.g., senior leaders) (Dirks & Ferrin, 2002).

Gills (2003) defines organizational trust as the organization's willingness, based upon its culture and communication behaviors in relationships and transactions, to be appropriately vulnerable, based on the belief that another individual, group or organization is competent, open and honest, concerned, reliable and identified with common goals, norms, and values. According to Creed and Miles (1996) organizational trust may be summed as embedded predisposition (a function of managerial philosophy and its manifestations), characteristic (dis)similarity (affected by organizational actions and structure) and experiences of reciprocity (affected by organization context for reciprocity) (Blomqvist & Ståhle, 2000).

### **Type of trust**

Trust may be classified as basic, simple, blind, or authentic. The characteristics of each type are described by Solomon and Flores below:

- Basic trust is the ability and willingness to meet people without inordinate suspicion, the ability to talk comfortably to and deal with strangers, and the willingness to enter into intimate relationships. Basic trust provides the basis for one's entire personality and demeanor toward the world.

- Simple trust is the utter absence of suspicion: it demands no reflection, noconscious choice, no scrutiny, and no justification. It may come about because no reason has ever arisen to question the other's trustworthiness, but it may also be that the one who trusts is simply naïve.
- Blind trust has been exposed to violation and betrayal but refuses to believe it has occurred. Blind trust denies the possibility that anything could shake or betray the trust.
- Authentic trust is fully self-aware, cognizant of its own conditions and limitations, open to new and even unimagined possibilities, based on choice and
- Responsibility rather than the mechanical operations of predictability, reliance, and rigid rule following. Authentic trust is well aware of the risks and willing to confront distrust and overcome it (Solomon & Flores, 2001).

Lewicki & Bunker (1996) distinguishes between three types of trust, calculus-based trust, knowledge-based trust and identification-based trust. The three types of trust are assumed to be organized in a hierarchical manner. The first level of trust is an ongoing economic calculation in the situation where parties risk losing too much if they cheat. Compliance with calculus-based trust is often ensured by the rewards of being trustworthy and by the threat that if trust is violated, one's reputation can be hurt through the person's network of associates and friends. The second form of trust (knowledge-based) relies on information and ability to predict the other's behavior. Trust develops over time as a function of the parties having a history of interaction. Information contributes to the predictability of the other, which in turn contributes to trust. The capacity to predict the other's behavior makes possible to make plans, investments or other decisions contingent on the behavior of the other party. The most interesting here, however, is identification-based trust. This type of trust means that the trustor fully internalizes the preferences of the other party, and identifies with him/her on that ground.

Zaheer *et al.* (1998) noted that interpersonal and inter-organizational trust is related but different constructs. The link between personal and organizational trust has not been clear. It would seem logical to say that it is always the people and not organizations that trust each other. Exchanges between firms are exchanges between individuals or small groups of individuals. However organizations have reputations and images and they develop routines, processes and culture, which unify the behavior of their employees and the responses to external contacts. We propose that there is both interpersonal and inter-organizational trust, but it is always people in the organizations

that trust. Zaheer et al. (1998, 142) defines interpersonal trust as the extent of a boundary-spanning agent's trust in her counterpart in the partner organization. They further define inter-organizational trust as the extent of trust placed in the partner organization by the members of a focal organization (Blomqvist & Ståhle, 2000).

Also, in another classification, trust is expressed at three levels within an organization: individual, group and system level. At the individual level, trust is based on interpersonal interaction. Trust can be defined as "the willingness of a party to be vulnerable to the actions of another party, based on the expectation, that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party." Willingness to be vulnerable, to say take a risk, implies that there is something of importance to be lost. At the group level, trust is a collective phenomenon. Teams represent collective values and identities. At the system level, trust is institutional and based on roles, systems or reputation, from which inferences are drawn about the trustworthiness of an individual (Puusa & Tolvanen, 2006).

### **Benefits of Trust**

Scholars as well as managers in the private and the public sector are deeply interested in the effects of trust inside and outside the organization, since trust is a critical factor in risk assessment and management (Slovic, 1999). Basically trust has been seen as a threshold condition for any efficient communication and cooperation. It may also lower the transaction costs, but also increase transaction benefits (Blomqvist, et al. 2002).

McElroy (1995) showed that trust creates added value in an organization; trust enhances information flow and knowledge creation. Trust enhances relationships, interaction, and cooperation (Connell, et al., 2003). Organizations with high levels of cultural trust tend to produce high quality products and services at less cost because they can recruit and retain highly motivated employees. These employees are more likely to enjoy their work, take the time to do their jobs correctly; make their own decisions; take risks; innovate; embrace the organization's vision, mission, and values; and display organizational citizenship behavior (e.g., helping a co-worker in need) (Galford & Seibold-Drapeau, 2002).

Trust has also been identified as a critical factor in leadership effectiveness, employee satisfaction, commitment

and performance. Furthermore, intra-organizational trust has become important in many firms where labor conflicts and downsizing might have resulted in decreased level of trust both between employees and in leader-employee relationships (Ellonen, et al., 2008).

Personal and organizational trust impacts each other as managers learn what kind of behaviors rewarded (punished) in their organizations. Managers observe and learn from each other through discussion and stories. Organizational culture (coordination, communication and decision-making) encourages or discourages managerial trustworthy behavior. Interpersonal and inter-organizational trust may develop and impact each other simultaneously or so, that either one develops first and impacts the other. A new manager with a trustworthy character and trusting personality may introduce a “trusting” culture that will be learned and diffused into the organization. Swan et al. (1985) found that trustworthiness of salespersons affected the trust experienced for the company. Vice versa, if a company has a good reputation in e.g. partnering, an outsider may expect to meet competent and trustworthy partner managers. The interplay between interpersonal and inter-organizational trust is dynamic e.g. if either one deteriorates, this will have a negative impact on the other (Blomqvist & Ståhle, 2000).

Trust is a predisposition for an individual to be able to work effectively for knowledge creation and integration. It is also a predisposition for his/her willingness to disclose tacit knowledge. Highly personalized knowledge could not be revealed without personalized interaction and certain kind of bareness. For an individual to transfer her understanding of the world, her perspectives, values, fears and wishes, highly open and trusting communication is demanded (Spender, 2003).

Another benefit of organizational trust is demonstrated in the area of organizational justice. Researchers distinguish three aspects of organizational justice:

- Distributive justice: the perceived fairness of outcomes within the organization.
- Procedural justice: the perceived fairness in the process of reaching decisions about distributing outcomes.
- Interactional justice: the perceived fairness of interpersonal interactions and treatment in the organization (Starnes, et al. 2005).

Also, organizational trust is important for successful socialization, cooperation and effective team-working and in the long run help to minimize risks and to decrease operating costs. In addition, trust provides a foundation for

social order and contributes to improved quality of life (Lämsä&Pucetaite, 2006) and could lead to personal and organizational success.

## Conclusion

Trust is important in all spheres of social life. It binds friendships, facilitates bargaining and negotiations, reduces transaction costs in interfirm exchanges, and even resolves international political conflicts (Paliszkievicz, 2009). The costs of high trust can be low because of people's high commitment and willingness to cooperate, high work quality and do not need for control. Hence, high-trust organizations do not lose opportunities to gain competitiveness in the global market.

The literature review shows that trust in an organization is a very important topic for employees and managers, It effects on the performance, the atmosphere of work, and the anticipated success. A high trust culture is essential for adapting to continuous change and continuous improvement.

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